

OLYMPIA, WASHINGTON

August 16, 2005

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer  
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer  
Tom Morrill, Assistant Attorney General  
Shad Pruitt, Office of the State Treasurer  
Chia Jung Yang, Montague DeRose & Associates  
Nancy Adams, Office of the State Treasurer  
Dean Torkelson, Seattle-Northwest Securities  
Svein Braseth, Office of the State Treasurer  
William Tonkin, Foster Pepper & Shefelman  
Vicki Cox, Office of the State Treasurer  
Nancy Notter, Office of the State Treasurer  
Noah Crocker, Office of the State Treasurer  
Susan Penley, Office of the State Treasurer  
Jeff Caldwell, Department of Transportation  
Sue Melvin, Office of the State Treasurer  
Jeb Spengler, Seattle-Northwest Securities  
Bill Starkey, Seattle-Northwest Securities  
Barton Potter, Office of the State Treasurer  
Pam Johnson, Office of the State Treasurer  
Mike Roberts, Office of Financial Management

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the July 12, 2005 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1020 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2006A in the aggregate principal amount of \$229,885,000; fixing the interest rates; in accordance with Resolution No. 1015. Sealed and electronic bids were received at 7:30 a.m. Pacific Time. The Series 2006A Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2006A Bonds and the Series 2006T Bonds (collectively, the "Bonds") are structured to produce an approximate level debt service over the life of the Bonds. Merrill Lynch & Co. submitted a true interest cost (TIC) of 4.4436348%; Lehman Brothers submitted a TIC of 4.4481184%; Bear, Stearns & Co., Inc. submitted a TIC of 4.4596314%; and Goldman, Sachs & Co. submitted a TIC of 4.4656612%,

with the apparent low bidder being Merrill Lynch & Co. Chairman Murphy said the bidding was very tight between the first and second bid.

Mr. Martin presented proposed Resolution 1020 to the committee.

Resolution 1020 awards the sale of \$229,885,000 State of Washington Various Purpose General Obligation Bonds, Series 2006A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess.; Chapter 3, Laws of 2003, 1<sup>st</sup> Sp. Sess.; Chapter 18, Laws of 2003, 1<sup>st</sup> Sp. Sess., and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1020. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1021 accepts the bids for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006B in the aggregate principal amount of \$197,000,000; fixing the interest rates; in accordance with Resolution No. 1016. Sealed and electronic bids were received at 7:30 a.m. Pacific Time. The Bonds were sold competitively. The Series 2006B Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2006B Bonds are structured to produce an approximate level debt service over the life of the Bonds.

Mr. Martin said this sale reflects the Washington State Transportation Commission's revised request which withdrew funding of projects affected by the Initiate 912 gas tax proceeds. Bond proceeds from the sale of Series 2006B bonds will be allocated as follows: \$27,000,000 to Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); and \$170,000,000 to Chapter 147, Laws of 2003 (RCW 47.10.861). Morgan Stanley & Co. Inc. submitted a TIC of 4.3751978%; Merrill Lynch & Co. submitted a TIC of 4.3752106%; Bear, Stearns & Co., Inc. submitted a TIC of 4.3825073%; Goldman, Sachs & Co. submitted a TIC of 4.3864803%; and Citigroup Global Markets Inc. submitted a TIC of 4.4027631%, with the apparent low bidder being Morgan Stanley & Co. Inc. Mr. Torkelson said the bids were so close, the difference totaled only \$277.26.

Mr. Martin presented proposed Resolution 1021 to the committee.

Resolution 1021 awards the sale of \$197,000,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006B, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 147, Laws of 2003 (RCW 47.10.861); and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1021. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1022 accepts a bid for the purchase of State of Washington General Obligation Bonds, Series 2006T (Taxable) in the aggregate principal amount of \$64,205,000; fixing the interest rates for the bonds; in accordance with Resolution No.

1017. The Bonds were sold competitively. Sealed and electronic bids were received at 8:00 a.m. Pacific Time. The Series 2006T Bonds are taxable current interest bonds. The interest will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2006T Bonds and the Series 2006A Bonds (collectively, the "Bonds") are structured to produce an approximate level debt service over the life of the Bonds.

Mr. Martin said seventeen bids were received. Bear, Stearns & Co., Inc. submitted a TIC of 4.5382377%; UBS Financial Services Inc. submitted a TIC of 4.5439266%; RBC Dain Rauscher Inc. submitted a TIC of 4.5516718%; BB&T Capital Markets submitted a TIC of 4.5524017%; Raymond James & Associates, Inc. submitted a TIC of 4.5537108%; First Albany Capital Inc. submitted a TIC of 4.5671449%; Legg Mason Wood Walker, Inc. submitted a TIC of 4.5686041%; Goldman, Sachs & Co. submitted a TIC of 4.5693323%; Merrill Lynch & Co. submitted a TIC of 4.5735840%; Citigroup Global Markets Inc. submitted a TIC of 4.5738255%; Morgan Keegan & Company, Inc. submitted a TIC of 4.5772649%; Lehman Brothers submitted a TIC of 4.5789784%; Morgan Stanley & Co. Inc. submitted a TIC of 4.5904480%; Banc of America Securities LLC submitted a TIC of 4.5957411%; Griffin, Kubik, Stephens & Thompson, Inc. submitted a TIC of 4.6049511%; Piper Jaffray submitted a TIC of 4.6049788%; and Popular Securities, Inc. submitted a TIC of 4.6162204%, with the apparent low bidder being Bear, Stearns & Co., Inc. Chairman Murphy said the previous record number of bidders was 13 and these 17 bidders validated competitive sales as bringing valuable savings to the state.

Mr. Martin presented proposed Resolution 1022 to the committee.

Resolution 1022 awards the sale of \$64,205,000 State of Washington General Obligation Bonds, Series 2006T (Taxable), authorized by Ch. 3, Laws of 2003, 1<sup>st</sup> Sp. Sess., Ch. 487, Laws of 2005, and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1022. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Braseth said proposed Resolution No. 1023 authorizes the issuance of Various Purpose General Obligation Refunding Bonds of the state, in the maximum principal amount of \$3,000,000,000, and Motor Vehicle Fuel Tax General Obligation Refunding Bonds of the state, in the maximum principal amount of \$1,050,000,000, for the purpose of refunding certain outstanding Various Purpose General Obligation Bonds, Various Purpose General Obligation Refunding Bonds, Motor Vehicle Fuel Tax General Obligation Bonds, and Motor Vehicle Fuel Tax General Obligation Refunding Bonds of the state; making certain other provisions securing the payment of the principal of and interest on the bonds; approving the form of a refunding escrow agreement with respect to the bonds to be refunded; and providing for other matters properly relating thereto. From time to time, the State Finance Committee has adopted omnibus refunding resolutions. These resolutions provide for the authority to refund outstanding bonds as market conditions permit. Since July 2001, nearly \$3.7 billion of refundable bonds have been issued. Proposed Resolution No. 1023 will add these refundable bonds to the list of bonds available for refunding. Chairman Murphy said since 1995, more than \$3.65 billion in refunding bonds have been issued achieving more than \$278 million in net present value savings to the state.

Mr. Braseth presented proposed Resolution 1023 to the committee.

Resolution 1023 authorizes the issuance of various purpose general obligation refunding bonds in the maximum principal amount of \$3,000,000,000 and motor vehicle fuel tax general obligation refunding bonds of the state in the maximum principal amount of \$1,050,000,000, for the purpose refunding certain outstanding various purpose general obligation bonds and motor vehicle fuel tax general obligation bonds of the state and thereby effecting a debt service savings to the state.

Lt. Governor Owen moved to adopt Resolution 1023. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said Tom Morrill, Assistant Attorney General, was leaving the Attorney General's Office to work for the City of Olympia. He thanked him for all his good work with the Treasurer's Office and wished him well at his new job. Mr. Morrill thanked Mr. Martin and said he has enjoyed working with this office.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:15 a.m. and the Public Deposit Protection Commission meeting was called to order.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, State Treasurer & Chairman

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Christine O. Gregoire, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Allan J. Martin  
Deputy State Treasurer & Secretary